

Message Text

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43

ACTION AGR-08

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 TRSE-00 STR-01

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R 161331Z JAN 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 9527

INFO AMEMBASSY MONTEVIDEO

AMEMBASSY ASUNCION

AMEMBASSY SANTIAGO

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PASS USDA/FAS LIVESTOCK AND PRODUCT DIVISION

E.O. 11652: N/A

TAGS: EAGR, EFIN, AR

SUBJECT: NEW EXCHANGE REGIME FOR MEAT EXPORTS

1. GOA HAS MOVED TO IMPROVE SITUATION AND COMPETITIVENESS ARGENTINE MEAT EXPORTS. DECREE 91 OF JAN 10 EXLIMINATES EXPORT TAXES (EXCEPT MINOR RESEARCH AND STATISTICAL TAX) ON MOST MEAT EXPORTS AND SIGNIFICANTLY REDUCES THEM FOR REMAINING MEAT ITEMS. SAME DECREE ESTABLISHES GOA SUBSIDIES ON MEAT EXPORTS RANGING FROM 5 PERCENT TO 40 PERCENT DEPENDING ON TYPE OF MEAT, CUT, ETC.

2. NEW DECREE REPRESENTS SUBSTANTIAL EFFECTIVE DEVALUATION OF PESO FOR ARGENTINE MEAT EXPORTS. PREVIOUSLY, MEAT EXPORTERS RECEIVED BASIC RATE OF 8.65 PESOS/DOLLAR WHICH, TOGETHER WITH EXPORT TAXES, RESULTED IN LOWER EFFECTIVE RATE. UNDER DECREE 91, EFFECTIVE EXCHANGE RATE ESTIMATED TO RANGE FROM ABOUT 10.2 PESOS/DOLLAR TO ABOUT 13.6 PESOS/DOLLAR (I.E. FINANCIAL RATE OF 9.93 LESS STATISTICAL TAX PLUS SUBSIDIES).

3. NEW EXCHANGE REGIME PRIMARILY DIRECTED TOWARD IMPROVING FINANCIAL SITUATION OF MEAT INDUSTRY AND IN PARTICULAR PACKING PLANTS. THEY, LIKE OTHER ARGENTINE EXPORT ENTITIES, HAVE BEEN

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HANDICAPPED BY GOA MAINTENANCE OVERVALUED EXPORT RATE.

BETTER FINANCIAL INCENTIVES DESIRABLE, BUT NEW SUBSIDIES WILL PRODUCE SOME UNWANTED ECONOMIC REPERCUSSIONS INCLUDING ADDITIONAL BURDEN ON TREASURY AND EXPANSIVE MONETARY IMPACT. SOME MEAT PACKERS HAVE COMMENTED THAT NEW REGIME WILL HELP, BUT FAVORABLE IMPACT WILL REMAIN LIMITED UNTIL EC DROPS RESTRICTIONS AND ARGENTINA AGAIN ABLE EXPAND BEEF EXPORTS TO EC.

4. THESE MEASURES TO PROMOTE MEAT EXPORTS ARE EXAMPLE OF INCREASED PRIORITY AND ATTENTION WICH GOA GIVING TO AGRICULTURAL SECTOR. ONLY RECENTLY, MAJOR AGRICULTURAL INTEREST GROUPS MET WITH ECONOMICS MINISTER TO AIR GRIEVANCES. THEY APPEAR TO HAVE WON SOME IMPORTANT CONCESSIONS INCLUDING TAX REDUCTIONS, NEW CREDITS AND QUITE POSSIBLY THE NEW MEAT EXPORT REGIME DESCRIBED ABOVE. REPORTEDLY, GOA HAS AUTHORIZED SOME INCREASES IN DOMESTIC BEEF PRICES TO TAKE EFFECT THIS WEEK AND OTHER BENEFITS FOR AGRICULTURAL SECTOR ARE QUITE POSSIBLE.
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